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Message Text

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PAGE 01 BOGOTA 08218 042205Z

70
ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 ISO-00 EA-11 NEA-10 RSC-01

AGR-20 AID-20 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01

OMB-01 NSC-10 SS-15 STR-08 CEA-02 DODE-00 PM-07 H-03

L-03 PA-03 PRS-01 USIA-15 ACDA-19 IO-15 DRC-01 /271 W
---------- 017082
R 042054Z OCT 73
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TO SECSTATE WASHDC 9711
INFO AMEMBASSY ABIDJAN
AMEMBASSY BRASILIA
AMEMBASSY LISBON
AMEMBASSY LONDON
AMEMBASSY RIO DE JANEIRO
AMCONSUL CALI UNN
AMCONSUL MEDELLIN UNN

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E.O. 11652: N/A
TAGS: EAGR, EGEN, CO
SUBJ: COFFEE: COLOMBIAN EXPECTATIONS

1. SUMMARY - DURING CALL ON JORGE CARDENAS, ASST. MANAGER, COFFEE FEDERATION, HE EXPOUNDED ON COLOMBIA'S EXPECTATIONS ON COFFEE FRONT. HE IS BEARISH ON NEW COFFEE AGREEMENT AND STILL INTERESTED IN COMPREHENSIVE COFFEE STUDY. COLOMBIA FULLY INTENDS TO RETAIN COFFEE IN NEW COFFEE YEAR. EVEN SO HE PREDICTS DROP IN PRICE FOR COLOMBIAN MILD FOLLOWING ON VERY HIGH 1972-73 COFFEE YEAR EARNINGS. END SUMMARY.

2. CARDENAS' OUTLOOK IS THAT WILL BE DIFFICULT IF NOT IMPOSSIBLE TO ACHIEVE NEW COFFEE AGREEMENT IN NEXT TWO YEARS. THEREFORE
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PAGE 02 BOGOTA 08218 042205Z

WOULD BE BETTER TO LAY FOUNDATION FOR NEW AGREEMENT WITH YEAR'S

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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STUDY BY BROOKINGS OR OTHER OBJECTIVE INSTITUTION, IN MEANTIME AVOIDING CONTENTIOUS NEGOTIATIONS WHICH UNLIKELY TO BE FRUITFUL. TO THIS END COFFEE FEDERATION MANAGER GOMEZ CURRENTLY IN NEWYORK ON WAY HOME FROM LONDON TO TRY TO GAIN SUPPORT FROM US PRIVATE SECTOR FOR COFFEE STUDY PROPOSAL DEFERRED AT LATEST ICO BOARD MEETING. CARDENAS ADDED THAT COLOMBIA ANTICIPATES BRAZILIAN SUPPORT FOR STUDY BECAUSE HE THINKS BRAZIL IN NO HURRY TO CONCLUDE NEW AGREEMENT.

3. HE CONFIRMED THAT IN NEW COFFEE YEAR COLOMBIA WILL RETAIN 10 PERCENT OF AVERAGE EXPORTS FOR LAST THREE YEARS, ALONG WITH MOST OTHER PRODUCERS. SYSTEM WILL INVOLVE DEPOSITING WAREHOUSE RECEIPTS WITH CENTRAL BANK - AND KEEPING CLOSE WATCH ON COMPLIANCE WITH SCHEME BY OTHERS. EVEN TOTAL COMPLIANCE WOULD NOT, ACCORDING TO CARDENAS, MAKE UP FOR CURRENT SURPLUS STOCKS OF 6 MILLION BAGS IN CONSUMING COUNTRIES (NOR PENALIZE COLOMBIA UNDULY SINCE RECORD CROP EXPECTED HERE). AS FOR COFFEE MARKETING CORPORATION TO BE SET UP BY COLOMBIA, BRAZIL, IVORY COAST AND PORTUGAL, HE ONLY SAID IT IS IN PROCESS OF BEING ORGANIZED (IMPLICATION BEING THAT ITS FUNCTIONING MAY NOT BE IMMINENT).

4. CARDENAS EXPECTS LARGE SUPPLY ON WORLD MARKET LAST THREE MONTHS OF 1973, SUGGESTING RETENTION DURING FIRST QUARTER NEW COFFEE YEAR IN EXCESS OF 10 PERCENT FORMULA. HE PREDICTS PRICE FOR COLOMBIAN MILDS, CURRENTLY AROUND 72 CENTS PER POUND, WILL DROP TO 62-65 CENTS DURING COMING YEAR, PARTLY BECAUSE SPREAD BETWEEN COLOMBIAN AND OTHER COFFEES ABNORMALLY WIDE. PROSPECT DOES NOT ALARM HIM, HOWEVER, SINCE IN YEAR JUST ENDED COLOMBIA EXPORTED 6.28 MILLION BAGS FOR US$532 MILLION, WHICH IS 200,000 BAGS LESS BUT A WHOPPING US$127 MILLION MORE THAN IN 1971-72 COFFEE YEAR.
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EO Systematic Review
30 JUN 2005

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